

Determinants of Islamic Bank Financing in Malaysia: An Empirical Study  
Using Linear and Nonlinear ARDL Model  
(*Penentu Pembiayaan Bank Islam di Malaysia: Kajian Empirikal Menggunakan Model ARDL Linear dan Bukan Linear*)

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**ABSTRACT**

This paper examines the dynamics relationship between the Islamic bank financing and selected macroeconomic variables in Malaysia using monthly data covering the period of January 2007 to June 2016. Utilizing both linear and non-linear ARDL method, the results show that there is no long-run relationship among the variables. The results also indicate that there is no presence of both long-run and short-run asymmetric effects from industrial production index and rate of financing towards Islamic bank financing. In addition, Granger-causality test also shows no causality running from these factors to Islamic bank financing. Therefore, we conclude that to some extent the Islamic bank financing is stable and resilient. Muslims customers continue to support the Islamic banking and are not profit-motivated by the substitution effect as Malaysia has dual banking system. The banking system which based on profit sharing is able to cushion the Islamic financial system from interest rate and economics fluctuation thus reducing the risk of financial volatility.

**Key words:** Islamic bank financing; Nonlinear ARDL (NARDL), Asymmetric cointegration

**ABSTRAK**

*Kertas ini mengkaji hubungan dinamik antara pembiayaan bank Islam dengan pemboleh ubah makroekonomi terpilih di Malaysia menggunakan data bulanan yang meliputi tempoh Januari 2007 hingga Jun 2016. Dengan menggunakan kaedah ARDL linear dan bukan linear, keputusan kajian menunjukkan bahawa tidak ada hubungan jangka panjang antara semua pemboleh ubah. Keputusan kajian juga menunjukkan bahawa tidak wujud kedua-dua kesan asimetri jangka panjang dan jangka pendek daripada indeks pengeluaran perindustrian dan kadar pembiayaan terhadap pembiayaan bank Islam. Di samping itu, ujian penyebab Granger juga menunjukkan kedua-dua pemboleh ubah makroekonomi tersebut tidak mempengaruhi pembiayaan bank Islam. Penemuan kajian ini menunjukkan dalam keadaan tertentu, pembiayaan bank Islam adalah stabil dan berdaya tahan. Pelanggan yang beragama Islam terus menyokong perbankan Islam dan tidak bermotifkan keuntungan walaupun Malaysia mempunyai sistem dwi perbankan. Sistem perbankan yang berasaskan perkongsian keuntungan mampu menstabilkan sistem kewangan Islam daripada turun naik kadar faedah dan ekonomi sehingga mengurangkan risiko kemaruahan kewangan.*

**Kata kunci:** Pembiayaan bank Islam; ARDL bukan linear, kointegrasi asimetri